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Viewing cable 09BUENOSAIRE976, ARGENTINE MINISTER OF ECONOMY SAYS GOA IS READY TO

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Reference ID	Created	Released	Classification	Origin
09BUENOSAIRE976	2009-08-26 16:04	2011-08-30 01:44	CONFIDENTIAL	Embassy Buenos Aires

Appears in these articles:

<http://www.lanacion.com.ar/1357832-boudou-reconocio-problemas-en-el-indec>

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SUBJECT: ARGENTINE MINISTER OF ECONOMY SAYS GOA IS READY TO

Classified By: Classified By: CDA Tom Kelly for reasons 1.4 (b) and (d)

¶1. (C) Summary: CDA met August 24 with Minister of Economy and Public Finances Amado Boudou and discussed the upcoming G-20 Summit in Pittsburgh, Argentina's re-engagement with the IMF, an agreement with Paris Club debtors and bond holdouts, as well as Argentina's fiscal and economic outlook. Not surprisingly, Boudou was generally upbeat about Argentina's current economic situation and prospects in the coming year. While Argentina wants to regain access to the international credit markets and hopes to have an agreement with the IMF and its Paris Club creditors by year's end, Boudou stressed that Argentina is under no fiscal pressure to do so but rather is doing so in order to help lower borrowing costs for Argentine producers and stimulate employment. End Summary.

¶2. (C) CDA, accompanied by EconCouns, opened the meeting by asking Boudou (who was alone) Argentina's perspective on the upcoming G-20 Summit. Boudou noted that he will be attending the meeting next week of G-20 finance ministers in London in preparation for the September 24-25 G-20 Summit in Pittsburgh. He said that Argentina is going into the meeting with a fairly strong financial and fiscal position. The level of public debt is low; the Government has easily met its relatively low debt servicing obligations, and will continue to do so through 2010; and the GoA's fiscal and bank liquidity situation is "very good." Boudou said that the government's strategy now is to lower the opportunity and borrowing costs for private sector producers through lower interest rates which can be achieved if Argentina has access to international credit markets.

¶3. (C) CDA asked if reaching an accommodation with the IMF is part of the GOA strategy. Boudou said that the GOA wants to normalize relations with the IMF, including a possible Article IV review by year-end, so long as the review does not include IMF prescriptions/conditionality. Boudou said that

the GOA also wants to re-engage with EXIM and other foreign export credit agencies, recognizing this will require working with the U.S. and other official creditors to clear Argentina's Paris Club arrears through either (IMF-sanctioned) rescheduling or other means which Argentina hopes to achieve by the end of the year. Boudou confirmed recent press reports that the GOA is also discussing ways to reach a settlement with the private bond holdouts.

14. (C) Boudou stressed that, while Argentina very much welcomes new foreign investment and access to foreign capital that will boost Argentine employment, the GOA is under little fiscal or economic pressure to do so. While 2009 will be a bad year, with zero economic growth, Boudou said the GoA forecasts growth between 3-4 percent in 2010, giving Argentina positive growth in seven out of the last eight years. CDA asked if reports of fiscal problems in the provincial budgets were true. Boudou said the situation in some of the provinces has deteriorated, blaming them for building up their payrolls unsustainably. He contrasted this with the GoA's "more responsible" countercyclical approach, which he claimed had boosted aggregate demand during this recessive period through increased public investment rather than via current expenditures. He said the GOA would not authorize provincial governments to issue bonds as a way out of the mess, noting that he intended to turn down such a request by Cordoba, the country's second-most-populous province. (Officially, that request is pending.)

15. (C) On the issue of inflation, Boudou said that there has been an overemphasis on data in Buenos Aires that indicates continued upward pressure on prices for higher value goods. Boudou said that GoA data shows that, as is historically true, prices remain stable in most of the provinces outside Buenos Aires, as well as for lower value goods generally, meaning that rising inflation has not adversely impacted Argentines at the lower end of the wage scale. Boudou also noted that the Argentine Central Bank (BCRA) has a monetary plan in place to ensure price stability.

¶6. (C) Comment: Now a month in office, Boudou seemed much more loquacious and confident than his predecessor, Carlos Fernandez, and more comfortable in his skin than Martin Lousteau, Cristina Fernandez de Kirchner's first Economic Minister. He came across as a poised, confident interlocutor who is eager to engage on resolving the legacy issues that stand in the way of Argentina returning to the international credit and capital markets. He'll need those skills and more

as he attempts to sell economic policies that are broadly seen as negligent and irresponsible. Boudou's optimism contrasts sharply with new reports that the GoA's fiscal situation continues to decline along with an economy now firmly in recession, and highlighted by Lousteau in an August 24 television interview in which he described the GoA as in denial over the deteriorating fiscal/financial situation.

¶7. (C) Boudou must perform a delicate balancing act to achieve the rapprochement with capital markets that he professes to want. He needs to constructively engage key foreign interlocutors, including the Fund, the Paris Club, and the hold-outs, without losing the confidence of his de facto boss, Nestor Kirchner. Given that dilemma, his rosy presentation of Argentina's fiscal and economic situation was not surprising, nor was his assertion, in classic Kirchner style, that Argentina is ready to deal, but only on its terms and without pre-conditions. But Boudou's charm offensive with international capital markets is clearly on. The GoA press line was that the meeting with the CDA was part of the GoA's newly launched campaign to rejoin international capital markets, and this campaign will likely be its theme at upcoming G-20 meetings. Boudou is also meeting this week with IMF Director Western Hemisphere Director (and former Chilean Finance Minister) Nicolas Eyzaguirre on the margins of a Council of Americas meeting in Buenos Aires which the GoA is publicly promoting. End Comment

KELLY

=====CABLE ENDS=====

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